

REMARKS

Reconsideration of this application in view of the following remarks is respectfully requested.

I. Status of the Claims

Claims 1-13, 16-19, 22, 23, 25, 26, 31 and 32 are pending. Claims 3 and 22 have been amended. Claims 14, 15, 20, 21, 24, 27-30 and 33 have been previously canceled. No new matter has been added by way of amendment or addition.

II. Rejections under 35 U.S.C. § 103

Claims 1-13, 16-19, 22, 23, 25, 26, 31 and 32 stand rejected as being obvious over U.S. Patent No. 5,784,696 to Melnikoff in view of U.S. Patent No. 6,922,677 to Sperandeo. Applicants respectfully traverse the rejection.

The present claims call for generating an index or series of investment returns that are available to investors active in those markets or combinations of markets to which the method is applied. An index generated by the present invention may be used to earn the fundamental returns measured by the index, thus forming the basis for an index-based investment fund, or index fund.

In contrast, Melnikoff discloses a method and apparatus for iteratively arriving at an investment portfolio by taking the preferences of an individual investor and repeatedly applying known performance-measurement indices, or known rules, to an initial, tentative portfolio. The process continues until an investment portfolio is selected which satisfies the investor-specified criteria. It is not a method and system for generating an index for investment returns that can be used both to measure the performance of asset classes such as bonds, currencies and commodities

and to earn the fundamental returns that the index measures. As the Examiner admits, Melnikoff fails to disclose generating a rule to determine a position for each asset at time t and then determining the position for each of said assets at time t , features recited in the present claims. The Examiner has relied upon the Sperandeo reference to supply the elements which are absent from Melnikoff and recited in the present claims. Applicants respectfully disagree with the assertion that Sperandeo discloses or suggests any of the features missing from Melnikoff and recited in the present claims.

Sperandeo discloses an investment instrument which, like Melnikoff, makes use of known benchmark indexes including the Standard & Poor's 500 Stock Index and the MLM Commodity Index.¹ Also like Melnikoff, Sperandeo fails to disclose generating a rule to determine a position for each asset at time t or determining the position for each of said assets at time t in accordance with said rule. Rather, Sperandeo discloses a non-traditional investment portfolio component that combines a swap instrument and a structured note to create a market exposure indexed to an investor-selected benchmark which reflects the investor's portfolio needs and objectives.

Neither Melnikoff nor Sperandeo disclose or suggest the presently claimed steps of generating a rule to determine a position for each of said assets and then determining a position in accordance with said rule. Instead, both references disclose receiving inputs from an investor regarding risk and return preferences, and then conducting analyses of a selected set of assets using known indices to determine whether the particular set in question meets the investor's objectives.

Further, with regard to independent claims 3, 16, 18, 22, 25, 26, 31 and 32, neither Melnikoff nor Sperandeo disclose or suggest determining a plurality of holding periods for the

¹ MLM is an acronym for Mount Lucas Management Corporation (the assignee of the present application).

selected assets as called for in these claims. Melnikoff nor Sperandeo also do not disclose or suggest the determination of a class return for each distinct asset class or the calculation of a continuous series of futures returns as recited in the present claims.

Neither of these references standing alone or combined discloses nor suggests the presently claimed step of computing an index of investment return in all asset classes or in a combination of these asset classes.

On the contrary, both Melnikoff and Sperandeo employ existing market indices in their inventions. The methods of computation in both references depend on the use of existing market indices, which is exactly the opposite of the invention defined by the present claims which is concerned with generating an index of investment returns.

Turning to the claim language, each of subsisting claims 1, 3, 16, 18, 22, 25, 26, 31 and 32, recites one or more features that is not disclosed or suggested by the references relied on by the Examiner. As an additional matter, claims 3 and 22 have been amended to positively recite the step of “determining a class return for each of said asset classes based on said averaging.” Support for these amendments can be found in the Specification at page 19, lines 7-19. Step (f) of claim 3 has also been amended to properly reference the “asset returns computed in step (e) for said holding period.”

More specifically, claim 1 recites a method for generating an index of fundamental investment returns. Steps (b), (c), (f) and (g) of claim 1 are not disclosed or suggested by either Melnikoff or Sperandeo.

In step (b) of claim 1, a rule is generated which determines positions to be taken in the various assets based upon previous market prices. Exemplary rules may include those based on

technical analysis, such as trend analysis, moving averages, and other such technical indicators. Such a rule (as called for in the claims) can be thought of as generating (in step (c)) a model portfolio of assets that will yield a return for each asset over a succeeding holding period (see step (e)). Those returns are then used to compute the aforementioned index (steps (f) and (g)). The index can then be used, for example, as a benchmark against which investments in the selected assets can be measured. Melnikoff and Sperandeo do not disclose or suggest such steps.

In fact, Melnikoff does not determine position as called for in step (c) of pending claim 1, but rather provides a selection of assets for an investment portfolio determined by how well tentatively selected assets perform relative to a desired target asset value specified by the investor. All assets are evaluated over a common time period.

Sperandeo determines long and short positions for portfolio components using the existing MLM Index, not a generated rule as called for in step (b) of claim 1. Therefore, the combination of Melnikoff and Sperandeo does not disclose or suggest to one of ordinary skill in the art the features of steps (b) and (c) of claim 1.

Regarding steps (f) and (g) of claim 1, neither Melnikoff nor Sperandeo computes returns for individual asset classes as defined in step (f) of claim 1. Melnikoff averages the returns for all selected assets without dividing them into distinct classes. See Melnikoff, col. 6, lines 23-31. In contrast to step (f) and (g) of claim 1, the Sperandeo reference tracks returns for all three commodities classes collectively using the MLM Index, which “is an unleveraged index...comprised of long and/or short positions in each of the 25 MLM Objects, each with an equal dollar value, rebalanced monthly.” See Sperandeo, col. 4, lines 36-43. Therefore, the combination

of Melnikoff and Sperandeo does not disclose or suggest to one of ordinary skill in the art the features of steps (f) and (g) of claim 1.

In summary, the combination of Melnikoff and Sperandeo does not disclose or suggest to one of ordinary skill in the art all of the elements of claim 1. Further, claim 2 depends from claim 1. Since claim 1 is patentable for the reasons set forth above, claim 2 is patentable for at least the same reasons. Withdrawal of the rejection of claims 1 and 2 over Melnikoff and Sperandeo is believed to be in order.

Method claim 3 and apparatus claim 22 both recite determining the asset positions for a succeeding period are based on past market prices, as in claim 1. These positions then yield returns which are used to determine an index or series of returns. Steps (c), (f) and (g) of these claims are also not disclosed or suggested by either Melnikoff or Sperandeo.

Regarding step (c) of claims 3 and 22, Melnikoff does not determine a holding period for each asset. Rather, Melnikoff determines a holding period over which the performances of tentatively selected assets are evaluated. The Melnikoff holding period is the same for all assets. The instrument of Sperandeo also uses a holding period which is the same for all selected assets, not holding periods determined for each asset as called for in step (c) of claims 3 and 22. Therefore, the combination of Melnikoff and Sperandeo does not disclose or suggest to one of ordinary skill in the art the features of step (c) of claims 3 and 22.

Regarding steps (f) and (g) of claims 3 and 22, neither Melnikoff nor Sperandeo disclose or suggest calculating a class return for each asset class. Applicants respectfully refer the Examiner to

the previous arguments pertaining to steps (f) and (g) of claim 1 which detail the failure of the cited prior art to disclose or suggest this feature.

In summary, the combination of Melnikoff and Sperandeo does not disclose or suggest to one of ordinary skill in the art all of the elements of claims 3 and 22. Further, claims 4-13 depend from claim 3 and claim 23 depends from claim 22. Since claims 3 and 22 are patentable for the reasons set forth above, claims 4-13 and 23 are patentable for at least the same reasons. Withdrawal of the rejection of claims 3-13 and 22-23 over Melnikoff and Sperandeo is believed to be in order.

Method claim 16 and apparatus claims 25 and 31 call for the determination of asset positions based on futures contracts for the assets. Steps (a), (c), (f) and (g) of these claims are not disclosed or suggested by either Melnikoff or Sperandeo.

Regarding step (a) of claims 16, 25 and 31, neither Melnikoff nor Sperandeo disclose or suggest determining a plurality of holding periods. Applicants respectfully refer the Examiner to the arguments set forth above pertaining to step (c) of claims 3 and 22.

Regarding step (c) of claims 16, 25 and 31, the futures contracts expire periodically creating large discontinuities in the actual prices, so the returns from futures markets cannot be computed directly from actual market prices of futures contracts. Therefore, in order to establish a basis for deciding the next position, it is necessary to create a continuous series of returns that could be earned by investing in a sequence of actual futures contracts, as called for in step (c) of claims 16, 25 and 31.

In contrast, neither Melnikoff nor Sperandeo disclose or suggest calculating a continuous series of returns as called for in claims 16, 25 and 31 because the assets being considered in these

references do not have a multitude of different evaluation periods. Both references evaluate all selected assets over the same interval of time. Therefore, the combination of Melnikoff and Sperandeo does not disclose or suggest to one of ordinary skill in the art the features of step (c) of claims 16, 25 and 31.

Regarding steps (f) and (g) of claims 16, 25 and 31, neither Melnikoff nor Sperandeo disclose or suggest calculating a class return for each asset class as called for in these claims. Applicants respectfully refer the Examiner to the previous arguments pertaining to steps (f) and (g) of claim 1 which are reiterated here.

In summary, the combination of Melnikoff and Sperandeo does not disclose or suggest to one of ordinary skill in the art all of the elements of claims 16, 25 and 31. Further, claim 17 depends from claim 16. Since claims 16, 25 and 31 are patentable for the reasons set forth above, claim 17 is patentable for at least the same reasons. Withdrawal of the rejection of claims 16, 17, 25 and 31 over Melnikoff and Sperandeo is believed to be in order.

Method claim 18 and apparatus claims 26 and 32 call for the determination of asset positions based on futures contracts for the assets. Steps (a) and (e) of these claims are not disclosed or suggested by either Melnikoff or Sperandeo.

Regarding step (a) of claims 18, 26 and 32, neither Melnikoff nor Sperandeo disclose or suggest determining a holding period for each said asset member. Applicants respectfully refer the Examiner to the arguments set forth above pertaining to step (c) of claims 3 and 22 which are reiterated here.

Regarding step (e) of claims 18, 26 and 32, neither Melnikoff nor Sperandeo disclose or suggest determining a class return for each asset class. Applicants respectfully refer the Examiner to the arguments pertaining to steps (f) and (g) of claim 1 set forth above. These arguments are reiterated here.

In summary, the combination of Melnikoff and Sperandeo does not disclose or suggest to one of ordinary skill in the art all of the elements of claims 18, 26 and 32. Further, claim 19 depends from claim 18. Since claims 18, 26 and 32 are patentable for the reasons set forth above, claim 19 is patentable for at least the same reasons. Withdrawal of the rejection of claims 18, 19, 26 and 32 over Melnikoff and Sperandeo is believed to be in order.

Based on the arguments and amendments set forth above, the pending claims are believed to be patentable over the cited prior art.

The subsisting claims are believed to be in condition for allowance, and such action is earnestly solicited.

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